



GOVERNOR ARNOLD SCHWARZENEGGER

February 27, 2007

The Honorable Nancy Pelosi
House of Representatives
Washington, DC 20515

Dear Madam Speaker,

Thank you for the opportunity to meet with you to discuss issues of critical importance to California and our nation. Californians are famous for thinking big, and with your continued leadership, I know we can address some of our toughest challenges. As the Congress begins its deliberations on the President's budget, I look forward to working with you on health care, climate change, comprehensive immigration reform and other issues which are critical to California's future.

During your budget discussions, I ask that you ensure that a "do no harm" approach is adopted for critical health care safety net programs that are key to our efforts to reform the broken health care system in California. I am especially concerned about the President's approach to Medicare and Medicaid, and I will stand with you in opposing the proposed reimbursement cuts. The Medicaid cuts are particularly troublesome because they simply shift costs to states by changing how the federal government reimburses states and modifies long-standing matching rates. Similar proposals have been offered in the past and wisely rejected by Congress. These short-sighted cuts ignore the need for broader reforms that will cut costs *and* improve how health care is delivered.

In addition, the States Children's Health Insurance Program (SCHIP) is one of the great success stories of the last decade, and its reauthorization is my top federal health care priority this year. Today, nearly six million children nationwide have insurance coverage as a result, with more than one million in California alone. I am proud of our Healthy Families program, and it is my goal to make sure every child that is eligible for Healthy Families or Medi-Cal is enrolled. To that end, I have an extensive outreach program to enroll all currently eligible children and pregnant women. We estimate that California will need up to \$4 billion dollars in new federal funding over the next five years just to cover currently eligible kids. Given California's current funding needs alone, it is clear that the President's Budget falls far short of what we will need to fund the existing program.

Global climate change is clearly one of the most pressing challenges of our time. By its very definition, it is a problem that no single state or nation acting alone can solve. You have shown tremendous leadership and I applaud your efforts in this area and urge you to continue to forge a national market-based cap and trade program that helps solve this problem.

The Honorable Nancy Pelosi
February 27, 2007
Page two

It is clear our nation is overly dependent on oil. Reliance on one resource to fuel our economy is unsustainable and places our energy security at risk. The United States and California depend on oil for 97 percent and 96 percent of our respective transportation fuel needs. Moreover, transportation is the top source of greenhouse gases in California and the second largest source in the nation. In order to reduce our dependence on oil *and* reduce our greenhouse gases from this sector, the nation must adopt a Low Carbon Fuel Standard. Such a policy would establish a critical path that would lead our nation away from our dependence on foreign oil in an environmentally positive manner.

As you are well aware agricultural communities in California have sustained crop losses and unknown long-term tree damage in excess of \$1.3 billion. Due to the catastrophic losses to California's citrus, avocado, vegetable and strawberry crops the damage reaches far beyond commodities as thousands of farm workers and their families have been displaced due to lost work or significantly reduced earnings. To address this disaster, I proclaimed a state of emergency for all 58 California counties and issued proclamations to specifically address the impacts of the freeze on small businesses and individuals in order to expedite federal assistance to the 18 counties hit the hardest. I have requested the President to declare a major disaster for 31 California counties. To meet immediate needs, I also authorized the expenditure of more than \$4 million to provide emergency housing, food and utility assistance to farm workers, provided \$14.2 million in loan guarantees to farmers and small business owners and waived the one-week waiting period for claiming unemployment insurance benefits.

I am thankful for the support you offered to Senators Boxer and Feinstein and a bipartisan contingent of California House members who introduced the Emergency Farm Assistance Act of 2007 to help address the ongoing impacts of the January freeze. I will continue to work closely with you and the entire Delegation to ensure the Farm Assistance Act is included as part of the Emergency Supplemental.

I strongly urge you and other members of the Congress to work together to pass comprehensive immigration reform and border security legislation. However, until the federal government can achieve control of our porous international borders, every effort should be made to help states and local governments cover a greater share of the considerable expense they incur to incarcerate criminal aliens. The President's proposal to eliminate the State Criminal Alien Assistance Program (SCAAP) is disappointing and is contrary to your steadfast commitment to funding this program. Since taking office, I have made it clear that SCAAP is necessary to at least partially offset the costs California taxpayers bear as a result of the federal government's failure to secure the border. The burden of housing criminal aliens is growing, and the problem now extends far beyond the southwest border. California alone spends more than \$800 million annually as a result of this unfunded mandate. Unfortunately, the President's proposal undermines the work of Congress and a bipartisan coalition of governors who recognize the value of this critical federal program. I applaud your support for SCAAP, and hope you will call on me as you move forward on this issue.

The Honorable Nancy Pelosi
February 27, 2007
Page three

Thank you again for meeting with me and for your continued leadership on the issues that matter most to Californians. I look forward to working with you in the years ahead to find solutions to the issues which will define California's future prosperity and quality of life.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Schwarzenegger", with a long horizontal flourish extending to the right.

Arnold Schwarzenegger